

MARYLAND PUBLIC BROADCASTING COMMISSION

AND

MPT FOUNDATION, INC.

JUNE 30, 2018

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.**

C O N T E N T S

	<u>Page</u>
Independent Auditors' Report	1 - 2
Combined Financial Statements - CPB Basis	
Combined Statement of Financial Position	3
Combined Statement of Activities and Changes in Net Assets	4
Combined Statement of Cash Flows	5
Notes to Combined Financial Statements - CPB Basis	6 - 14
Supplementary Information	
Combining Statement of Financial Position - CPB Basis	15
Combining Statement of Activities - CPB Basis	16



Stoy, Malone & Company, P.C.
Certified Public Accountants

705 York Road
Baltimore, MD 21204
410-828-1961
Fax 410-821-8814

INDEPENDENT AUDITORS' REPORT

To the Commissioners of
Maryland Public Broadcasting Commission

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the Maryland Public Broadcasting Commission (the "Commission") and MPT Foundation, Inc. (the "Foundation"), which comprise the combined statement of financial position - CPB basis as of June 30, 2018, and the related combined statements of activities and changes in net assets - CPB basis, and cash flows - CPB basis for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with the Financial Reporting Guidelines (the "Guidelines") prescribed by the Corporation for Public Broadcasting (the "CPB"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
INDEPENDENT AUDITORS' REPORT (Cont'd.)**

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Commission and the Foundation as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended, in accordance with the Guidelines prescribed by the CPB described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the combined financial statements, which describes the basis of accounting. As described in Note 1 to the combined financial statements, the combined financial statements are prepared by the Commission in accordance with the financial reporting practices prescribed or permitted by the Guidelines of the CPB, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the CPB. Our opinion is not modified with respect to this matter.

Supplementary Combining Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental combining information is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Restricted Use

This report is intended solely for the information and use of the commissioners and management of the Commission and the CPB, and is not intended to be, and should not be, used by anyone other than these specified parties.

Stacy, Malene & Company, P.C.

Baltimore, Maryland
January 7, 2019

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.
COMBINED STATEMENT OF FINANCIAL POSITION - CPB BASIS**

	June 30, 2018
ASSETS	
Cash and cash equivalents	\$ 2,878,161
Contributions receivable	1,473,942
Accounts and grants receivable	2,646,990
Member pledges receivable	55,357
Inventory of supplies	262,338
Prepaid expenses	39,689
Licensed program rights	136,385
Investments	4,867,945
Property and equipment, net	<u>16,658,587</u>
Total assets	<u>\$ 29,019,394</u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 435,592
Accrued salaries and vacations	1,499,769
Capital lease obligations	2,823,680
Deferred revenue	733,895
Refundable advances	<u>75,000</u>
Total liabilities	<u>5,567,936</u>
NET ASSETS	
Unrestricted	16,724,894
Temporarily restricted	4,466,597
Permanently restricted	<u>2,259,967</u>
Total net assets	<u>23,451,458</u>
Total liabilities and net assets	<u>\$ 29,019,394</u>

The Notes to Combined Financial Statements are an integral part of these statements.

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - CPB BASIS**

	Year Ended June 30, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE				
Community Service Grants and other CPB grants	\$ 26,687	\$ 2,612,109	\$ -	\$ 2,638,796
Public Broadcasting Service revenue	28,775	-	-	28,775
Federal grants	1,056,251	-	-	1,056,251
Spectrum repacking funds	2,631,456	-	-	2,631,456
Membership pledges and contributions	8,693,280	30,000	325,000	9,048,280
Underwriting and other telecasting revenue	7,328,904	1,270,910	-	8,599,814
Support from State of Maryland	8,852,712	-	-	8,852,712
Investment revenue	47,747	43,757	-	91,504
Net gain on investments	97,265	155,193	-	252,458
Other revenue	40,125	-	-	40,125
Net assets released from restrictions	3,905,188	(3,905,188)	-	-
Total revenue	<u>32,708,390</u>	<u>206,781</u>	<u>325,000</u>	<u>33,240,171</u>
EXPENSES				
Program services				
Programming and production	14,782,979	-	-	14,782,979
Broadcasting and engineering	2,331,482	-	-	2,331,482
Total program services	<u>17,114,461</u>	<u>-</u>	<u>-</u>	<u>17,114,461</u>
Supporting services				
Fundraising, solicitation and membership	5,300,081	-	-	5,300,081
Management and general	4,917,680	-	-	4,917,680
Depreciation	1,155,045	-	-	1,155,045
Loss on disposal of property and equipment	26,735	-	-	26,735
Total supporting services	<u>11,399,541</u>	<u>-</u>	<u>-</u>	<u>11,399,541</u>
Total expenses	<u>28,514,002</u>	<u>-</u>	<u>-</u>	<u>28,514,002</u>
CHANGE IN NET ASSETS	4,194,388	206,781	325,000	4,726,169
NET ASSETS				
Beginning of year	12,530,506	4,259,816	1,934,967	18,725,289
End of year	<u>\$ 16,724,894</u>	<u>\$ 4,466,597</u>	<u>\$ 2,259,967</u>	<u>\$ 23,451,458</u>

The Notes to Combined Financial Statements are an integral part of these statements.

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.
COMBINED STATEMENT OF CASH FLOWS - CPB BASIS**

	<u>Year Ended June 30, 2018</u>
OPERATING ACTIVITIES	
Change in net assets	\$ 4,726,169
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	1,155,045
Loss on disposal of property and equipment	26,735
Amortization of licensed program rights	161,454
Net gain on investments	(252,458)
In-kind contributions	(173,149)
Contributions restricted for long-term purposes	(325,000)
Changes in operating assets and liabilities	
Contributions receivable	(708,664)
Accounts and grants receivable	(2,041,716)
Member pledges receivable	(5,380)
Inventory of supplies	(14,229)
Prepaid expenses	(39,690)
Licensed program rights	(114,527)
Accounts payable and accrued expenses	(125,430)
Accrued salaries and vacations	(151,014)
Deferred revenue	644,731
Refundable advances	20,000
Net cash provided by operating activities	<u>2,782,877</u>
INVESTING ACTIVITIES	
Purchase of investments	(4,456,436)
Decrease in investments - short-term	33,244
Proceeds from sales of investments	3,960,934
Additions to property and equipment	<u>(2,653,190)</u>
Net cash used in investing activities	<u>(3,115,448)</u>
FINANCING ACTIVITIES	
Principal payments under capital lease obligations	(524,667)
Contributions restricted for long-term purposes	325,000
Payments on annuity obligations	<u>(9,504)</u>
Net cash used in financing activities	<u>(209,171)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(541,742)
CASH AND CASH EQUIVALENTS	
Beginning of year	<u>3,419,903</u>
End of year	<u>\$ 2,878,161</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid for interest	<u>\$ 29,135</u>
Property and equipment financed through capital leases	<u>\$ 956,252</u>
In-kind contributions - equipment purchased by Maryland	<u>\$ 173,149</u>

The Notes to Combined Financial Statements are an integral part of these statements.

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS**

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying combined financial statements include the accounts of Maryland Public Broadcasting Commission, (the "Commission") and MPT Foundation, Inc. (the "Foundation"). The Commission and the Foundation are financially interrelated organizations. The Commission recognizes its right in the net assets held by the Foundation as an asset. The combined financial statements are prepared in accordance with the reporting requirements for public telecommunication entities as prescribed by the Corporation for Public Broadcasting (the "CPB"). All intercompany balances are eliminated.

The Maryland Public Broadcasting Commission

Nature of Organization

The Commission is an agency of the State of Maryland. The Commission is also referred to as Maryland Public Television ("MPT").

The Commission operates under the provisions of Title 24, Subtitle 2 of the Education Article of the Annotated Code of the State of Maryland and the Cumulative Supplements. The Governor appoints the eleven members of the Commission.

The Commission's mission is to educate, entertain and enlighten the people of Maryland and beyond through creative programs and services of the highest quality delivered through traditional public broadcasting and new multimedia technologies.

The Commission operates six noncommercial telecommunication stations in the State of Maryland. The following is a list of the call letters:

Digital Call Letters

WMPB - DT in Baltimore
WMPT - DT in Annapolis
WCPB - DT in Salisbury
WWPB - DT in Hagerstown
WGPT - DT in Oakland
WFPT - DT in Frederick

Cash and Cash Equivalents

Cash and cash equivalents of the Commission consist of a checking account and funds on deposit in the State of Maryland central accounts.

Inventory of Supplies

Inventories are stated at the lower of cost or market using the first-in, first-out method.

Property and Equipment

In accordance with the accounting policies of the State of Maryland it is the policy of the Commission to capitalize property and equipment over \$50,000. Property and equipment is capitalized at cost, or if donated, at the approximate fair value at the date of donation, and is depreciated over its estimated useful life in a systematic and rational manner, unless they are inexhaustible assets. It has been the practice of the State of Maryland to fund equipment acquisition and replacements out of current operating funds and the State's general construction loan fund. Equipment held under the State's Master Lease Program is stated at the fair market value of the equipment at the inception of the lease or the present value of the total minimum lease payments, whichever is lower, and is amortized over the equipment's estimated useful life using the straight-line method.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Member Pledges

The Commission engages in periodic fundraising campaigns manifested by offering some special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Commission for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers. Contributions, including unconditional promises to give and membership receipts, are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors. An allowance for uncollectible member pledges is provided based upon management's judgment including such factors as prior collection history and type of pledge. All member pledges receivable are promises to give within one year of June 30, 2018. Contributions and collected pledges are components of unrestricted net assets in as much as their usage is not limited to specific activities of the Commission.

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of the recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported on the accompanying financial statements as increases in temporarily restricted net assets until satisfaction of the time or purpose restrictions, after which they are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets.

Indirect Administrative Support

Indirect support from other State of Maryland agencies consists of allocated institutional support and physical plant costs incurred by the State for which the Commission receives benefits. The fair value of this support is recognized in the statements of activities as support and as expense.

Licensed Program Rights

Program series and other syndicated products are recorded at the lower of unamortized cost, or estimated net realizable value. Generally these programs and products are amortized on a straight-line basis over the period of the license agreement.

Revenue and Cost Recognition for Uncompleted Non-Series and Series Programs

The Commission recognizes revenue on the completed contract method for the production of non-series programs. Excess of revenue on the production of non-series programs is recognized when the program is completed. Excess of revenue on uncompleted non-series programs is deferred until the program is completed.

The Commission recognizes revenue on the percentage of completion method of accounting for the production of series programs. Excess of revenue on the production of series programs is recorded on the basis of the Commission's estimates of the percentage of completion of individual series programs. That portion of the total revenue is accrued on the basis of expenditures incurred and work performed.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

MPT Foundation, Inc.

Nature of Organization

MPT Foundation, Inc. (the "Foundation") is a not-for-profit foundation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation's primary purpose is to support and promote the objectives of the Maryland Public Broadcasting Commission (the "Commission") in the following ways:

To facilitate fundraising programs and contributions from private sources to foster and promote the general welfare of the Commission;

To promote, sponsor and implement educational, scientific, charitable and cultural activities for the benefit of the Commission; and

To accumulate and provide funds to be invested and to utilize the principal and income thereof for activities that enhance and further the mission of the Commission.

The Foundation and the Commission are financially interrelated organizations. The Foundation reports the fair value of assets received as contribution revenue and support payments to the Commission as a reduction in net assets. The Commission recognizes its right in the net assets held by the Foundation as an asset. The Foundation's financial statements do not include the accounts of the Commission.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Investments

The Foundation reports investment securities at fair value with gains and losses included in the statement of activities.

Contributions

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increase temporarily or permanently restricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Otherwise, when a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code on all income except unrelated business income. Certain income related to sale of advertising space is considered unrelated business income. Since related expenses exceed the income, no provision for income taxes has been reported. The Foundation's management believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation's policy is to reflect interest and penalties related to uncertain tax positions as part of its income tax expense, when and if they become applicable.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

The Commission and Foundation

Basis of Presentation

Information regarding the financial position and activities is reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

In-kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their fair value at the date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind contributions and contributed services are offset by like amounts included in expenses.

If the fair value of in-kind contributions cannot be reasonably determined they are not recorded. Donated services of nonprofessional volunteers as well as national and local programming services are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services on the basis of benefits received.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-14 Not-for-Profit Entities, which contains significant changes to the financial statements requirements under the Not-for-Profit Entities topic of the Accounting Standards Codification. The new standard is effective for the year ending June 30, 2019. The Commission and Foundation will evaluate the effect that the implementation of the new standard will have on its financial position, results of operations and cash flows.

In May 2014, FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard is effective for the fiscal year ending June 30, 2019. The Commission and Foundation will evaluate the effect that implementation of the new standard will have on its financial position, results of operations and cash flows.

In February 2016, FASB issued Accounting Standards Update 2016-02, Leases (Topic 842), which requires balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new standard is effective for the fiscal year ending June 30, 2021. The Commission and Foundation will evaluate the effect that implementation of the new standard will have on its financial position, results of operations and cash flows.

NOTE 2 - CONCENTRATION OF CREDIT RISK

In the ordinary course of business the Commission and the Foundation may have funds held by financial institutions in excess of Federal insurance limits. The Foundation generally maintains mutual fund balances in financial institutions in excess of the SIPC limitations.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable reflect unconditional donor pledges receivable due in less than one year as of June 30, 2018.

Conditional promises to give are not recorded as income until they are received. Promises to give are considered conditional when donors have a right to rescind. At June 30, 2018, the Foundation had conditional promises to give of \$1,435,000.

NOTE 4 - INVESTMENTS

Investments reported at fair value are classified based on inputs used to determine the value as follows:

- Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets in active markets;
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, and;
- Level 3 - Unobservable inputs, such as reporting entity's data.

The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Total</u>
Mutual funds	<u>\$ 4,867,945</u>	<u>\$ 4,867,945</u>

The Foundation's investments in mutual fund securities are reported at their fair value determined using quoted market prices in active markets and consist of the following at June 30, 2018:

General		
Large blend equity mutual fund		<u>\$ 1,263,985</u>
Endowment		
Money market		12,664
Exchange traded products		
Large growth		948,576
Other		91,540
Mutual funds - bonds		
Intermediate term bond		960,104
Other		40,467
Mutual funds - equity		
Large value		29,957
Large growth		352,831
Large blend		312,448
Foreign large blend		583,300
Small blend, growth and other		92,563
Real estate		<u>179,510</u>
		<u>3,603,960</u>
		<u>\$ 4,867,945</u>

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2018:

Land and improvements	\$ 631,366
Buildings and improvements	24,019,169
Equipment	28,989,915
Capital projects in progress	<u>2,758,230</u>
	56,398,680
Less: Accumulated depreciation	<u>39,740,093</u>
	<u>\$ 16,658,587</u>

NOTE 6 - CAPITAL LEASE OBLIGATIONS

The Commission leases broadcasting equipment under the State of Maryland's Master Lease Program. The leases contain a purchase option upon expiration. Maintenance and insurance costs are not included in the lease payments but must be provided by the Commission. Equipment held under lease obligations amounted to \$4,218,401.

Future minimum lease payments under capital leases are as follows:

Year ending June 30:	
2019	\$ 658,956
2020	778,583
2021	635,250
2022	518,137
2023	268,966
2024	<u>110,964</u>
Total minimum lease payments	2,970,856
Amount representing interest	<u>(147,176)</u>
Present value of total minimum lease payments	<u>\$ 2,823,680</u>

NOTE 7 - ENDOWMENT FUNDS

The Foundation established a charitable endowment that is comprised of several specific funds and one general fund. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts designated by donors to be restricted in perpetuity. The Foundation classifies as temporarily restricted net assets the original value of contributions that have been designated by donors to one of the specific funds. All income on these endowments is recorded as temporarily restricted net assets or unrestricted net assets, based on donor intent. In the absence of a purpose restriction on the use of endowment fund income, donor restrictions on the income will lapse only when and to the degree that management appropriates an amount for expenditure in a manner consistent with UPMIFA.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 7 - ENDOWMENT FUNDS (Cont'd.)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return.

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 568,578	\$ 2,259,967	\$ 2,828,545
Board-designated endowment funds	775,415	-	-	775,415
Total funds	<u>\$ 775,415</u>	<u>\$ 568,578</u>	<u>\$ 2,259,967</u>	<u>\$ 3,603,960</u>

Changes in endowment net assets as of June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, June 30, 2017	\$ 590,991	\$ 387,844	\$ 1,934,967	\$ 2,913,802
Contributions	172,471	15,000	325,000	512,471
Investment income	11,393	43,757	-	55,150
Net appreciation	40,409	155,193	-	195,602
Amounts appropriated for expenditure	(39,849)	(33,216)	-	(73,065)
Endowment net assets, June 30, 2018	<u>\$ 775,415</u>	<u>\$ 568,578</u>	<u>\$ 2,259,967</u>	<u>\$ 3,603,960</u>

NOTE 8 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets represent unexpended CSG's and the unexpended portion of funding support for certain Commission productions and programs and unexpended earnings on restricted endowment assets.

Permanently restricted net assets consist of contributions to endowment funds that are required by the gift instrument to be invested in perpetuity. The income from such investments is to be used for funding certain Commission productions and programs and is included in temporarily restricted net assets until appropriated for expenditure.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 9 - NONFEDERAL FINANCIAL SUPPORT (NFFS)

The CPB allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received either as a contribution or a payment and meeting all of the respective criteria for each.

A "contribution" is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the Federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution, or dissemination of educational television and related activities; and (4) the recipient must be a public broadcasting entity. However, to eliminate distortions in the TV CSG grant program precipitated by extraordinary infusions of new capital investments in DTV, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the NFFS.

A "payment" is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payments must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS was \$19,127,141 for 2018.

NOTE 10 - RETIREMENT BENEFITS

Substantially all of the employees of the Commission are covered by one of the following plans in the State Retirement and Pension System of Maryland (the "System").

- Retirement Systems – retirement programs for substantially all employees who are not participants of the State Pension System, and;
- Pension Systems – retirement programs for employees hired after January 1, 1980, and prior employees who have elected to transfer from the Retirement Systems.

The State's required contributions are based upon actuarial valuations. In accordance with the law governing the System, all benefits of the System are funded in advance. Members of the Retirement System are required to contribute to the System a fixed percentage of their regular salaries and wages (7% or 5% depending on the retirement plan selected). Members of the Pension System are required to contribute to the System 5% of their regular salaries and wages which exceed the Social Security wage base. All contributions are deducted from each member's salary, and wage payments are remitted to the System on a regular, periodic basis.

Inasmuch as the Commission is an agency of the State of Maryland, a separate actuarial computation of the plan benefit obligations, net assets available for plan benefit, and the component parts of the current benefit expense for employees of the agency was not made. A full disclosure of selected data for the plans as a whole is presented in the Comprehensive Annual Report of the State of Maryland.

Pension expenditures by the Commission for the years ended June 30, 2018 amounted to \$1,652,580 in the aggregate for all programs.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 11 - INDIRECT ADMINISTRATIVE SUPPORT

The Commission utilizes facilities of the State of Maryland and has recorded occupancy cost, imputed based upon appraisal reports and methodology prescribed by the CPB, of \$519,744 support from the State of Maryland and as management and general expense for the years ended June 30, 2018.

The Commission recorded the administrative cost allocation from the State of Maryland of \$226,366 as support from the State of Maryland and as management and general expense for the years ended June 30, 2018.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Commission receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that received the grant. As of June 30, 2018, the Commission estimates that no material liabilities will result from such audits.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 7, 2019 the date that the financial statements were available to be issued. No recognized or non-recognized subsequent events were identified for recognition or disclosure in the financial statements.

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.
COMBINING STATEMENT OF FINANCIAL POSITION - CPB BASIS
YEAR ENDED JUNE 30, 2018**

	Maryland Public Broadcasting Commission	MPT Foundation, Inc.	Eliminations	Combined Total
ASSETS				
Cash and cash equivalents	\$ 807,328	\$ 2,070,833	\$ -	\$ 2,878,161
Net beneficial interest in MPTF	8,233,078	-	(8,233,078)	-
Contributions receivable	-	1,473,942	-	1,473,942
Accounts and grants receivable	2,646,990	-	-	2,646,990
Member pledges receivable	55,357	-	-	55,357
Inventory of supplies	262,338	-	-	262,338
Prepaid expenses	39,689	-	-	39,689
Licensed program rights	136,385	-	-	136,385
Investments	-	4,867,945	-	4,867,945
Property and equipment, net	16,658,587	-	-	16,658,587
Total assets	<u>\$ 28,839,752</u>	<u>\$ 8,412,720</u>	<u>\$ (8,233,078)</u>	<u>\$29,019,394</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 330,950	\$ 104,642	\$ -	\$ 435,592
Accrued salaries and vacations	1,499,769	-	-	1,499,769
Capital lease obligations	2,823,680	-	-	2,823,680
Deferred revenue	733,895	-	-	733,895
Refundable advances	-	75,000	-	75,000
Total liabilities	<u>5,388,294</u>	<u>179,642</u>	<u>-</u>	<u>5,567,936</u>
NET ASSETS				
Unrestricted	16,724,894	4,118,623	(4,118,623)	16,724,894
Temporarily restricted	4,466,597	1,854,488	(1,854,488)	4,466,597
Permanently restricted	2,259,967	2,259,967	(2,259,967)	2,259,967
Total net assets	<u>23,451,458</u>	<u>8,233,078</u>	<u>(8,233,078)</u>	<u>23,451,458</u>
Total liabilities and net assets	<u>\$ 28,839,752</u>	<u>\$ 8,412,720</u>	<u>\$ (8,233,078)</u>	<u>\$29,019,394</u>

See Independent Auditors' Report.

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.
COMBINING STATEMENT OF ACTIVITIES - CPB BASIS
YEAR ENDED JUNE 30, 2018**

	Maryland Public Broadcasting Commission	MPT Foundation, Inc.	Eliminations	Combined Total
UNRESTRICTED NET ASSETS				
REVENUE				
Community Service Grants and other CPB grants	\$ 26,687	\$ -	\$ -	\$ 26,687
Public Broadcasting Service revenue	25,975	2,800	-	28,775
Federal grants	1,056,251	-	-	1,056,251
Spectrum repacking funds	2,631,456	-	-	2,631,456
Membership pledges and contributions	7,346,680	1,346,600	-	8,693,280
Underwriting and other telecasting revenue	3,960,157	3,679,747	(311,000)	7,328,904
Support from State of Maryland	8,852,712	-	-	8,852,712
Investment revenue	-	47,747	-	47,747
Net gain on investments	-	97,265	-	97,265
Other revenue	-	40,125	-	40,125
Net change in unrestricted beneficial interest in MPTF	4,486,210	-	(4,486,210)	-
Net assets released from restrictions	3,206,762	698,426	-	3,905,188
Total unrestricted revenue	<u>31,592,890</u>	<u>5,912,710</u>	<u>(4,797,210)</u>	<u>32,708,390</u>
EXPENSES				
Program services				
Programming and production	14,782,979	-	-	14,782,979
Broadcasting and engineering	2,331,482	-	-	2,331,482
Total program services	<u>17,114,461</u>	<u>-</u>	<u>-</u>	<u>17,114,461</u>
Supporting services				
Fundraising, solicitation and membership	4,326,755	1,123,400	(150,074)	5,300,081
Management and general	4,775,506	303,100	(160,926)	4,917,680
Depreciation	1,155,045	-	-	1,155,045
Loss on disposal of property and equipment	26,735	-	-	26,735
Total supporting services	<u>10,284,041</u>	<u>1,426,500</u>	<u>(311,000)</u>	<u>11,399,541</u>
Total expenses	<u>27,398,502</u>	<u>1,426,500</u>	<u>(311,000)</u>	<u>28,514,002</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>4,194,388</u>	<u>4,486,210</u>	<u>(4,486,210)</u>	<u>4,194,388</u>
TEMPORARILY RESTRICTED NET ASSETS				
Community Service Grants and other CPB grants	2,612,109	-	-	2,612,109
Member pledges and contributions	-	30,000	-	30,000
Underwriting and other telecasting revenue	-	1,270,910	-	1,270,910
Investment revenue	-	43,757	-	43,757
Net gain on investments	-	155,193	-	155,193
Net change in temporarily restricted beneficial interest in MPTF	801,434	-	(801,434)	-
Net assets released from restrictions	(3,206,762)	(698,426)	-	(3,905,188)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>206,781</u>	<u>801,434</u>	<u>(801,434)</u>	<u>206,781</u>
PERMANENTLY RESTRICTED NET ASSETS				
Membership pledges and contributions	-	325,000	-	325,000
Net change in permanently restricted beneficial interest in MPTF	325,000	-	(325,000)	-
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	<u>325,000</u>	<u>325,000</u>	<u>(325,000)</u>	<u>325,000</u>
CHANGE IN NET ASSETS	<u>\$4,726,169</u>	<u>\$ 5,612,644</u>	<u>\$(5,612,644)</u>	<u>\$4,726,169</u>

See Independent Auditors' Report.